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STATE FOR EAP/J
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TAGS: [EINV](#) [ENRG](#) [ETRD](#) [PREL](#) [EAID](#) [EAGR](#) [PARM](#) [IR](#) [JA](#)
SUBJECT: U/S HORMATS' MEETINGS WITH JAPANESE GOVERNMENT
OFFICIALS IN TOKYO

REF: A. TOKYO 2708
[1](#)B. TOKYO 2358

Classified By: CDA James P. Zumwalt for Reasons 1.4(b),(d)

[1](#)1. (C) SUMMARY: Senior Japanese government officials welcomed the visit of Under Secretary Hormats on November 16 and 17, immediately following that of President Obama, as a strong sign of the importance the United States attaches to the U.S.-Japan economic relationship. They agreed with U/S Hormats on the need to build the interim framework for future bilateral economic dialogue around a discrete set of tangible achievements. Although encouraged by the President's announcement in Tokyo that the United States will engage the Trans-Pacific Partnership (TPP) member economies, these officials cautioned Japan is not ready to join a broad regional trade agreement due to sensitivities over agriculture. In addition to discussing bilateral cooperation on investment and the need to conclude a successful Doha Development Agenda, U/S Hormats pressed the GOJ to resolve longstanding bilateral trade irritants related to access for U.S. beef and promoting a level playing field for the insurance industry vis a vis Japan Post. He also raised U.S. concerns about Japan's energy investments in Iran and transparency concerns regarding the recently-established Innovation Network Corporation Japan (INCJ). Both sides agreed the Asia Pacific Economic Cooperation (APEC) forum needs a bold new agenda. METI officials shared a preliminary growth strategy they plan to circulate to other G-20 members.
END SUMMARY.

[1](#)2. (SBU) Under Secretary for Economic, Energy and Agricultural Affairs Robert Hormats discussed a broad range of topics central to the bilateral economic relationship and global economic cooperation in November 16 and 17 meetings with MOFA Vice Minister Mitoji Yabunaka, MOFA Economic Bureau Director General Yoichi Suzuki, METI Vice Minister for International Affairs Hiroyuki Ishige, METI Trade Policy Bureau Director General Hideichi Okada, Agency for Natural Resources and Energy Director General Toru Ishida, and METI Senior Vice Minister Teruhiko Mashiko, a political appointee. He also had dinner with several other Senior Vice Ministers, including MOFA State Secretaries Koichi Takemasa and Tetsuro Fukuyama, met separately with business representatives from the American Chamber of Commerce Japan and the Japan Business Federation, or Keidanren (ref A), delivered a speech on U.S.-East Asia economic relations at Waseda University, and gave interviews with the Nikkei newspaper and NHK News (television).

U.S. "REENGAGEMENT" IN ASIA WELCOMED

[1](#)3. (SBU) Vice Foreign Minister Yabunaka welcomed what he called U.S. "reengagement" in Asia and told U/S Hormats the recent and nearly consecutive visits by the President, Secretary Geithner, and himself sent a clear message about

the level of U.S. support for the economic side of the alliance. U/S Hormats noted the strong partnership between the United States and Japan forged by close cooperation centered in part on close economic ties and issues such as climate change and food security, trade, investment and development cooperation. Vice Minister Yabunaka agreed, saying the U.S.-Japan relationship now focuses on regional and global issues and that joint efforts are producing results in clean energy and development, areas in which both countries are leaders in technology, research and development.

U.S.-JAPAN ECONOMIC DIALOGUE

14. (C) U/S Hormats told Vice Minister Yabunaka Washington is prepared to undertake an economic dialogue with the new Government of Japan, but wants such dialogue to focus on three important issues where the right people can get together and make tangible progress. He contrasted this with past senior level engagements that attempted to take on too many issues and involved too many officials to be productive.

Building on U/S Hormats' prior discussions with Deputy Foreign Minister Otake in Singapore, MOFA Director General Suzuki concurred with this concept and took on board U/S Hormats' suggestion that both governments focus first on identifying these areas of cooperation where results are possible and then determine who should be included in the discussion. U/S Hormats suggested overseas development assistance, green technology, and enhancing trade and investment are potentially useful areas around which to build this framework. DG Suzuki agreed, adding that efforts to

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better align our development assistance initiatives to build capacity in public health in Africa would also be a natural area for collaboration. METI Senior Vice Minister Mashiko added investment cooperation to the list, noting the importance of investment in employment and new business creation.

U.S.-JAPAN INVESTMENT INITIATIVE

15. (SBU) U/S Hormats and the senior METI officials agreed to continue bilateral discussions on investment issues under the U.S.-Japan Investment Initiative, chaired by State and METI. Senior VM Mashiko and DG Okada each affirmed METI wants to maintain an open channel of communication on investment. DG Okada further explained that METI is flexible on the precise format and called for talks that are "substantive, effective, and pragmatic." U/S Hormats concurred on the value of conducting a practical dialogue focused on increasing two-way investment. U/S Hormats explained he would engage in discussions in Washington about METI's earlier proposal (ref B) and would provide a substantive reply upon completion of this internal consultation.

BEEF: NEED FOR STRONG AND UNIFIED MESSAGE

16. (C) U/S Hormats conveyed strong U.S. concerns regarding GOJ's restrictive standards for imports of U.S. beef and beef products in each of his separate meetings with DG Suzuki, DG Okada, and VM Ishige. DG Suzuki said MOFA is working hard, together with the Japan's two lead agencies - the Agriculture (MAFF) and Health (MHLW) ministries - to address the beef issue. In particular, Suzuki said, MOFA wants the Food Safety Commission (FSC) to conduct a new review of its BSE-related policy. Suzuki argued a review is warranted based on key developments since the FSC last reviewed its policy in 2004 (e.g., Japan's partial reopening of its market to cuts of U.S. beef from cattle up to 20 months of age; upgrade of the OIE's BSE-risk classification for the United States; and U.S. implementation of a feed ban and enhanced surveillance procedures.) Suzuki cautioned, however, that

the government's new leadership appears reluctant to take up the issue. He called on the USG to deliver a strong interagency message on U.S. beef to assuage concerns expressed by some GOJ officials who have mistakenly interpreted the U.S. position to mean greater access for U.S. beef is important only to USDA and USTR, but not to the USG as a whole. U/S Hormats assured Suzuki that resolving the beef issue is a USG top priority and removing this irritant in the U.S.-Japan trade relationship would be viewed as a highly productive development by many members of Congress and senior USG officials. Asked by U/S Hormats whom he should convey USG concerns to at the senior level, DG Suzuki said he was unsure who the best person in the Prime Minister's Office would be at this time, but suggested Chief Cabinet Secretary Hirano will become involved eventually. He thought Deputy CCS Matsuno will engage sooner than Hirano, in part because MOFA has already briefed Matsuno several times.

INSURANCE -----

17. (SBU) In his meetings with MOFA's VM Yabunaka and DG Suzuki as well as Senior VM Mashiko, VM Ishige, and DG Okada, U/S Hormats underscored the importance of maintaining a level playing field for private insurance companies in Japan's ongoing debate over the privatization of Japan Post. He made clear the United States does not take a position on privatization itself. Suzuki said MOFA cannot predict the outcome of the privatization debate, but advised the USG to raise the matter with Japan's political leadership as well.

INNOVATION NETWORK CORPORATION OF JAPAN (INCJ) -----

18. (SBU) U/S Hormats raised in each of his meetings with DG Suzuki, Senior VM Mashiko, VM Ishige, and DG Okada U.S. concerns regarding the transparency of operations at INCJ, a quasi-governmental investment fund established under METI guidance and supported by over 15 Japanese private company investors, including U.S. company General Electric (GE). At issue is INCJ's decision to support the Japanese firm Toshiba in submitting a bid to acquire a division of the French energy company Areva S.A. without informing shareholders. MOFA and METI officials explained the INCJ is legally independent from METI, and concerns need to be addressed to the INCJ itself. Noting Japanese investors in INCJ also

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share these concerns about transparency and question whether such merger and acquisition operations overseas are even within the INCJ's mandate, U/S Hormats urged that METI (DG Okada in particular) convey these concerns directly to the INCJ. Senior VM Mashiko separately offered to provide U/S Hormats a copy of INCJ's charter. (Note: GE learned through a media announcement that INCJ has joined Toshiba in submitting a bid to acquire Areva's energy transmission assets, putting INCJ in direct competition with GE, which is also bidding on the Areva business. GE is concerned that INCJ's involvement shows a lack of transparency in its decision making, which creates the risk of distorting global investment flows. GE has presented its concerns to METI and the Ministry of Finance. End note.)

APEC 2010 AGENDA: "CHANGE AND ACTION" -----

19. (SBU) METI Senior VM Mashiko told U/S Hormats Japan's APEC 2010 slogan of "Change and Action" is based on PM Hatoyama's electoral pledge and the President's call for change. He said APEC can only succeed if the U.S. and Japan cooperate on the agenda and noted it behooves both sides to focus on one or two key priorities such as climate change and concluding the Doha Development Agenda by 2010. DG Suzuki separately suggested areas of cooperation might include investment/ease of doing business, food security, and small and medium

enterprise (SME) promotion. U/S Hormats agreed Japan and the U.S. need a bold agenda and greater emphasis on results rather than dialogue alone. VM Yabunaka said PM Hatoyama is pleased with the Japan-U.S. consecutive APEC years in 2010 and 2011, respectively, and efforts to link the agenda. The Prime Minister wants the outcomes in APEC to be "significant and useful," he said.

¶10. (C) DG Suzuki expressed concern about how to overcome China's apparent resistance to moving the APEC agenda forward under Japan's leadership. He asserted China prefers that APEC 2010 be used to continue stocktaking of Bogor Goals for developing countries and to defer progress in other areas to the U.S. host year in 2011. Suzuki added China has become more cautious in general about multilateral trade liberalization. MOFA APEC Division Director Takuya Sasayama noted China is not reluctant in all APEC areas, but rather is principally negative about the direction and pace on the issue of regional architecture (i.e., building blocks toward a Free Trade Area of the Asia-Pacific). China is worried events will unfold too quickly for it to control; it also derives support for its "foot-dragging" from some ASEAN economies who are also interested in delaying the Bogor agenda. In contrast, China seems "very forthcoming" on human security and capacity building initiatives, Sasayama said.

REGIONAL ARCHITECTURE: THE TRANS-PACIFIC PARTNERSHIP

¶11. (SBU) Asked about the President's announcement November 14 in Tokyo that the United States would engage in the Trans-Pacific Partnership (TPP) free trade agreement, U/S Hormats told DG Okada the United States is committed to Asia and to meaningful dialogue on new regional architecture. Before commencing actual talks with TPP partners, however, the United States must consider basic questions about what the content of any negotiation will be and which countries would be first-order candidates to engage. Any agreement will need to be of the highest standard, in particular in areas such as labor, the environment, and intellectual property rights, he said. In the interim, we can continue to achieve progress on ease of doing business, reduction of barriers on trade in green technology, and improvement of the investment climate, U/S Hormats explained. Both DG Okada and DG Suzuki expressed Japan's interest in the TPP, but conceded Japan would be unable to enter into negotiations at this time due to domestic sensitivities related to agriculture.

G-20

¶12. (SBU) DG Okada said the GOJ interagency, led by MOFA, has begun discussing how to handle new issues on the G-20 agenda.

VM Ishige shared copies of a growth strategy non-paper that METI has prepared for ministerial and OECD consideration that considers both "green growth" and "innovative growth" options (non-paper provided separately to Washington). U/S Hormats agreed that, while financial and economic issues should remain the G-20's core responsibility, G-20 engagement on new issues requires the participation of many agencies. The USG is likewise considering the most appropriate ways to deal with global issues, including how to avoid duplication with

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the work of the G-8, he said.

WTO/DOHA

¶13. (SBU) In his meeting with METI VM Ishige, U/S Hormats reaffirmed the U.S. commitment from the Pittsburgh G-20 summit to conclude the Doha Development Agenda (DDA) in 2010. VM Ishige claimed India was becoming more dependent on exports and would come around as a result (exports as a share of India's GDP now exceed the share for Japan, according to Ishige). Brazil also stands to benefit from the DDA,

particularly given the growth of Brazilian exports to the Asian region. U/S Hormats said the administration is considering carefully what it needs for its bottom line to bring about a successful conclusion of the Doha round.

ENERGY AND ENVIRONMENT

¶14. (SBU) METI Agency for Natural Resources and Energy (ANRE) head Director General Toru Ishida said Japan looks forward to continued close cooperation with the United States on research and development of clean energy and welcomed the release of the U.S.-Japan Fact Sheet on Clean Energy Cooperation during President Obama's visit to Tokyo. DG Ishida noted Prime Minister Hatoyama's ambitious carbon emissions reduction target reflects Japan's desire to take a leadership role in upcoming climate negotiations in Copenhagen, but that this pledge is premised on U.S. and Chinese participation. U/S Hormats praised Japan's global leadership in energy efficiency and emphasized the importance of emerging economies making commitments to reduce carbon emissions.

IRAN

¶15. (C) U/S Hormats also expressed to ANRE DG Ishida concerns about investments in Iran's energy sector, saying now is not the time for "business-as-usual" with Iran. Ishida asserted Japanese investment in Iran's oil sector has been at a defacto standstill since Inpex Corporation reduced its stake in the Azadegan oil field, and that Japan continues to watch closely the situation in Iran.

DEVELOPMENT ASSISTANCE

¶16. (SBU) During a lunch hosted by DG Suzuki, MOFA International Cooperation Bureau Deputy Director General Kazuo Sunaga reviewed for U/S Hormats Japan's recent overseas development assistance (ODA) commitments, which he said amounted to more than \$10 billion in recent months. These include \$1 billion for Pakistan at the April 2009 Donors' Conference, a \$5 billion package for Mekong River Delta countries announced in October and, most recently, a \$5 billion Afghanistan package. Sunaga said Japan remains on track to double aid to Africa by 2012, but expressed concern about funding in Japan's current budget environment, which has grown increasingly tight and subject to scrutiny by the new government led by the Democratic Party of Japan. U/S Hormats repeated Secretary Clinton's thanks to Foreign Minister Okada for Japan's contribution to Afghanistan. U/S Hormats agreed with DDG Sunaga that African assistance is also a priority, particularly that related to health, education, and food security. DG Suzuki suggested the United States and Japan could consider a possible bilateral sub-cabinet level dialogue to discuss development assistance projects and how the United States and Japan are working to accomplish their respective Millennium Development Goals.

¶17. (U) U/S Hormats cleared this message after departure from post.
ZUMWALT